

AMENDED IN SENATE APRIL 25, 2001

SENATE BILL

No. 599

Introduced by Senator Chesbro

February 22, 2001

An act to amend Section 1367.2 of the Health and Safety Code, *and to amend Sections 10123.6 and 10123.14 of the Insurance Code*, relating to health care ~~service plans~~ coverage.

LEGISLATIVE COUNSEL'S DIGEST

SB 599, as amended, Chesbro. Health care ~~service plans~~ coverage: substance-use disorders.

Existing law provides for the licensure and regulation of health care service plans by the Department of Managed Health Care *and for the regulation of disability insurers by the Department of Insurance*. Existing law requires health care service plans, *disability insurers*, and *self-insured employee welfare benefit plans* that cover *hospital, medical, or surgical* expenses ~~on a group basis~~ to offer coverage for the treatment of alcoholism, ~~and to communicate the availability of this coverage to existing and prospective group subscribers~~.

This bill would require *these* health care service plans, *disability insurers*, and *self-insured employee welfare benefit plans* to provide coverage for *the treatment of* substance-use disorders on the same basis as they provide coverage for any other medical ~~care~~ condition. Additionally, the bill would require ~~health care service plans~~ *these plans and insurers* to reimburse providers of the services and would prohibit health care service plans *that directly contract with an individual provider or organization* from ~~seeking indemnity or otherwise transferring financial responsibility for these services onto contracting~~

~~providers delegating the risk-adjusted treatment cost of providing these services unless certain requirements are met.~~

Because a willful violation of this bill's requirements with respect to health care service plan requirements would be a crime, this bill would impose a state-mandated local program by creating a new crime.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 1367.2 of the Health and Safety Code
2 is amended to read:

3 1367.2. (a) ~~(1)~~—During the period January 1, 1990, through
4 December 31, 2001, every health care service plan that covers
5 hospital, medical, or surgical expenses on a group basis shall offer
6 coverage for the treatment of alcoholism under ~~such~~ terms and
7 conditions as may be agreed upon between the group subscriber
8 and the health care service plan. Every plan shall communicate the
9 availability of this coverage to all group subscribers and to all
10 prospective group subscribers with whom they are negotiating.

11 ~~(2)~~

12 (b) On and after January 1, 2002, every health care service plan
13 that covers hospital, medical, or surgical expenses on a group ~~basis~~
14 ~~shall offer coverage for evidenced-based treatment of~~ *basis shall*
15 *provide coverage for the treatment of* substance-use disorders as
16 listed in the Diagnostic and Statistical Manual of Mental Disorders
17 IV, published by the American Psychiatric Association, in a
18 nondiscriminatory manner on the same basis as any other medical
19 care. Health ~~care condition~~ service plans shall provide the
20 continuum of ~~evidence-based~~ clinically effective and appropriate
21 services and continuing treatment in a facility licensed or certified
22 by the Department of Alcohol and Drug Programs, the Joint
23 Commission on Accreditation of Hospitals, and the State
24 Department of Health Services or by a licensed physician, an

1 appropriately credentialed addictions counselor, or other ~~licensed~~
2 ~~clinician~~ *provider licensed or certified in the treatment of*
3 *substance-use disorders*. Coverage and funding shall be the same
4 as benefits covering other physical illness, including medications,
5 with the same cost-sharing provisions, deductibles, appropriate
6 caps or limits on number of outpatient visits, residential or
7 inpatient treatment days, payments, lifetime benefits, and
8 catastrophic coverage. Every health care service plan shall
9 communicate the availability of this coverage to all group
10 subscribers and to all prospective group subscribers with whom
11 they are negotiating. Furthermore, every health care service plan
12 and its contracting entities shall provide actuarially sound
13 augmentation for reimbursement to the providers of services
14 required by this section for any mandate for coverage contained in
15 this chapter that has been enacted after the date that a contract has
16 been signed between the provider and the health care service plan
17 or its contracting entity. A health care service plan *that directly*
18 *contracts with an individual provider or provider organization*
19 *shall not seek indemnity, whether contractual or equitable, from its*
20 *contracting providers or otherwise transfer to its contracting*
21 *providers financial responsibility for any mandate set forth*
22 *pursuant to this section delegate the risk-adjusted treatment cost*
23 *of providing services under this section unless the requirements of*
24 *Section 1375.5 are met*. Compliance with this subdivision shall be
25 monitored by the Department of Managed Health Care.

26 ~~(b) If the group subscriber or policyholder agrees to such~~
27 ~~coverage or to coverage for treatment of chemical dependency, or~~
28 ~~nicotine use, the treatment may take place in facilities licensed to~~
29 ~~provide alcoholism or chemical dependency services under~~
30 ~~Chapter 2 (commencing with Section 1250) of Division 2.~~

31 SEC. 2. *Section 10123.6 of the Insurance Code is amended to*
32 *read:*

33 ~~10123.6. On and after~~ (a) *During the period January 1,*
34 *1990, through December 31, 2001,* every insurer issuing group
35 disability insurance ~~which~~ *that* covers hospital, medical, or
36 surgical expenses shall offer coverage for the treatment of
37 alcoholism under ~~such~~ *these* terms and conditions as may be
38 agreed upon between the group policyholder and the insurer.
39 Every insurer shall communicate the availability of ~~such~~ *this*

1 coverage to all group policyholders and to all prospective group
2 policyholders with whom they are negotiating.

3 ~~If the group subscriber or policyholder agrees to such coverage~~
4 ~~or to coverage for treatment of chemical dependency, or nicotine~~
5 ~~use, the treatment may take place in facilities licensed to provide~~
6 ~~alcoholism or chemical dependency services under Chapter 2~~
7 ~~(commencing with Section 1250) of Division 2 of the Health and~~
8 ~~Safety Code.~~

9 ~~Treatment for nicotine use may be subject to separate~~
10 ~~deductibles, copayments, and overall cost limitations as~~
11 ~~determined by the policy.~~

12 *(b) On and after January 1, 2002, every insurer issuing group*
13 *disability insurance that covers hospital, medical, or surgical*
14 *expenses shall provide coverage for the treatment of substance-use*
15 *disorders as listed in the Diagnostic and Statistical Manual of*
16 *Mental Disorders IV, published by the American Psychiatric*
17 *Association, in a nondiscriminatory manner on the same basis as*
18 *any other medical condition. Insurers shall provide the continuum*
19 *of clinically effective and appropriate services and continuing*
20 *treatment in a facility licensed or certified by the Department of*
21 *Alcohol and Drug Programs, the Joint Commission on*
22 *Accreditation of Hospitals, and the State Department of Health*
23 *Services or by a licensed physician, an appropriately credentialed*
24 *addictions counselor, or other provider licensed or certified in the*
25 *treatment of substance use disorders. Coverage and funding shall*
26 *be the same as benefits covering other physical illness, including*
27 *medications, with the same cost-sharing provisions, deductibles,*
28 *appropriate caps or limits on number of outpatient visits,*
29 *residential or inpatient treatment days, payments, lifetime*
30 *benefits, and catastrophic coverage. Every insurer shall*
31 *communicate the availability of this coverage to all group*
32 *policyholders and to all prospective group policyholders with*
33 *whom they are negotiating. Furthermore, every insurer and its*
34 *contracting entities shall provide actuarially sound augmentation*
35 *for reimbursement to the providers of services required by this*
36 *section for any mandate for coverage contained in this article that*
37 *has been enacted after the date that a contract has been signed*
38 *between the provider and the insurer or its contracting entity. An*
39 *insurer shall not seek indemnity, whether contractual or equitable,*
40 *from its contracting providers or otherwise transfer to its*

contracting providers financial responsibility for any mandate set forth pursuant to this section. Compliance with this subdivision shall be monitored by the Department of Insurance.

SEC. 3. Section 10123.14 of the Insurance Code is amended to read:

10123.14. ~~On and after~~ (a) During the period January 1, 1990, through December 31, 2001, every self-insured employee welfare benefit plan containing hospital, medical, or surgical expense benefits or service benefits ~~may provide~~ shall offer coverage for the treatment of alcoholism, chemical dependency, or nicotine use under such terms and conditions as may be agreed upon between the self-insured welfare benefit plan and the member, where the treatment may take place in facilities licensed to provide alcoholism or chemical dependency services under Chapter 2 (commencing with Section 1250) of Division 2 of the Health and Safety Code.

~~Treatment for nicotine use may be subject to separate deductibles, copayments, and overall cost limitations as determined by the plan.~~

(b) On and after January 1, 2002, every self-insured employee welfare benefit plan containing hospital, medical, or surgical expense benefits or service benefits shall provide coverage for the treatment of substance-use disorders as listed in the Diagnostic and Statistical Manual of Mental Disorders IV, published by the American Psychiatric Association, in a nondiscriminatory manner on the same basis as any other medical condition. The self-insured employee welfare benefit plan shall provide the continuum of clinically effective and appropriate services and continuing treatment in a facility licensed or certified by the Department of Alcohol and Drug Programs, the Joint Commission on Accreditation of Hospitals, and the State Department of Health Services or by a licensed physician, an appropriately credentialed addictions counselor, or other provider licensed or certified in the treatment of substance use disorders. Coverage and funding shall be the same as benefits covering other physical illness, including medications, with the same cost-sharing provisions, deductibles, appropriate caps or limits on number of outpatient visits, residential or inpatient treatment days, payments, lifetime benefits, and catastrophic coverage. Every self-insured employee welfare benefit plan shall communicate the availability of this

1 coverage to all members and to all prospective members with
2 whom they are negotiating. Furthermore, every self-insured
3 employee welfare benefit plan and its contracting entities shall
4 provide actuarially sound augmentation for reimbursement to the
5 providers of services required by this section for any mandate for
6 coverage contained in this article that has been enacted after the
7 date that a contract has been signed between the provider and the
8 plan or its contracting entity. A self-insured employee welfare
9 benefit plan shall not seek indemnity, whether contractual or
10 equitable, from its contracting providers or otherwise transfer to
11 its contracting providers financial responsibility for any mandate
12 set forth pursuant to this section. Compliance with this subdivision
13 shall be monitored by the Department of Insurance.

14 SEC. 4. No reimbursement is required by this act pursuant to
15 Section 6 of Article XIII B of the California Constitution because
16 the only costs that may be incurred by a local agency or school
17 district will be incurred because this act creates a new crime or
18 infraction, eliminates a crime or infraction, or changes the penalty
19 for a crime or infraction, within the meaning of Section 17556 of
20 the Government Code, or changes the definition of a crime within
21 the meaning of Section 6 of Article XIII B of the California
22 Constitution.

